

IR's New Role

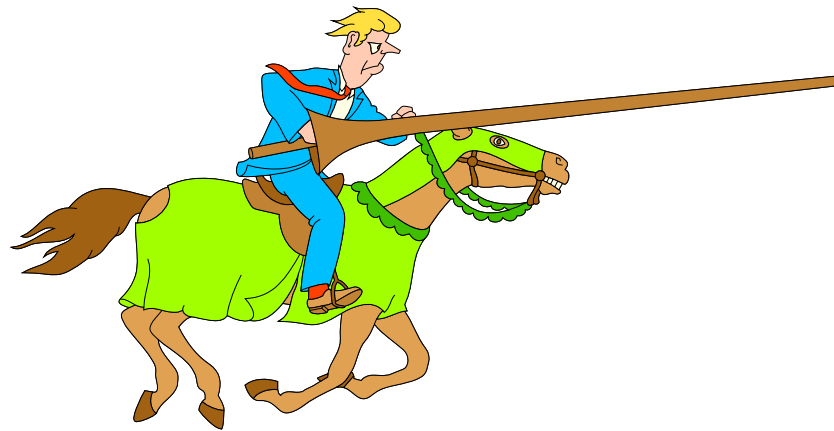


Presented by:
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Deputy Assistant Secretary of The Army
(Financial Operations)
28 June 2004

Objective

To provide -

◆ **Insight into Internal Review's New Role**



Agenda

- ◆ **The New Army**
- ◆ **FY 05 Funding Issues**
- ◆ **Internal Review's Role**

THE NEW ARMY

LIGHT BUT LETHAL



THE NEW ARMY

The Army Is Undergoing Deep Change!

The Transformation

- Smaller
- Lighter
- More mobile
- More lethal
- Army Support Team includes:
 - Acquisition
 - Installation Management
 - Information Technology
 - Logistics
 - Finance and Accounting (Resource Management).
 - Internal Review



THE NEW ARMY

The Army Is Undergoing Deep Change!

Transforming the Army

- Force consists of

- ◆ Active Army
- ◆ Army Reserves
- ◆ National Guard

- Combat
- Combat Support
- Combat Service Support

➤ Army Reserves and National Guard
make up 40% of Force in IRAC

- Civilians and Contractors

- ◆ Play a vital role in ensuring
the Army's success



FY 05 Funding



ARMY FY05 BUDGET PRIORITIES - REVISED TOPICS

1. Force Protection.
2. FCS.
3. Stryker.
4. Current Readiness.
5. Stress on the Force.
6. Rotations in Iraq.
7. Rotations in Afghanistan.



FY 05 Funding

RESOURCE FRAMEWORK

CURRENT READINESS

Unit Training
Sustainment
Installation & Infrastructure

Mitigating Risk

- ✓ OPTEMPO
- ✓ Training Ammo to C2
- ✓ Depot Maint for 17 critical systems (RECAP)
- ✓ Facilities Sustainment to 95%
- ✓ Upgrade Barracks & Family Housing
- ✓ 482.4K/555K Endstrength
- ✓ RC Full Time Support to Critical Ramp
- ✓ Science and Technology
- ✓ Future Combat Systems
- ✓ Comanche
- ✓ Stryker Brigade Combat Team # 5
- ✓ Upgrades for 10 Current Force Systems
- ✓ Developing Top-Down Battle Command

PEOPLE

Manning
Well-Being
Leader Development

FUTURE FORCE

Research
Capabilities (Current Force)
Systems Support

Accepting Risk

- ✓ Tng Range, CTC, and Tng Mod
- ✓ Depot Maintenance
- ✓ Ammo/Msl Stockpile Mngt
- ✓ War Reserve Secondary Items
- ✓ Base Operations
- ✓ PCS Accounts
- ✓ MILPAY (RPA/NGPA) Accounts

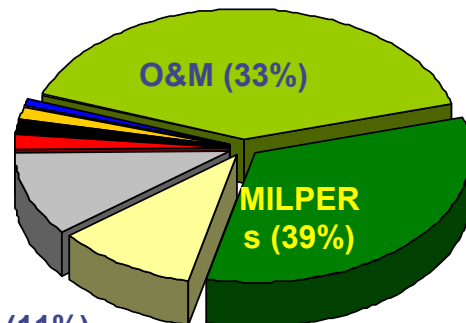
A "Peace-Time" Budget, Reflecting Lessons-Learned From OIF/OEF.

FY 05 Funding

COMPARING FY04 TO FY05

APPN	FY04 PB	FY04 APPN W/O SUPP	FY05 PB	Δ, FY04 PB To FY05 PB
MILPERS	\$37.4B	\$37.3B	\$39.4B	\$2.0B
O&M	\$31.5B	\$31.4B	\$32.5B	\$1.0B
Procurement	\$10.8B	\$11.8B	\$10.4B	-\$0.4B
RDT&E	\$9.1B	\$10.4B	\$10.4B	\$1.3B
MILCON	\$1.8B	\$1.8B	\$2.1B	\$0.3B
AFH	\$1.4B	\$1.4B	\$1.6B	\$0.2B
ChemDemil	\$1.7B	\$1.5B	\$1.4B	-\$0.3B
Other	\$0.2B	\$0.2B	\$0.7B	\$0.5B
TOTAL:	\$93.9B	\$95.8B	\$98.5B	\$4.6B

Other (1%)
 Chem DeMil (1%)
 AFH (2%)
 MILCON (2%)
 RDT&E (11%)
 Procurement (11%)



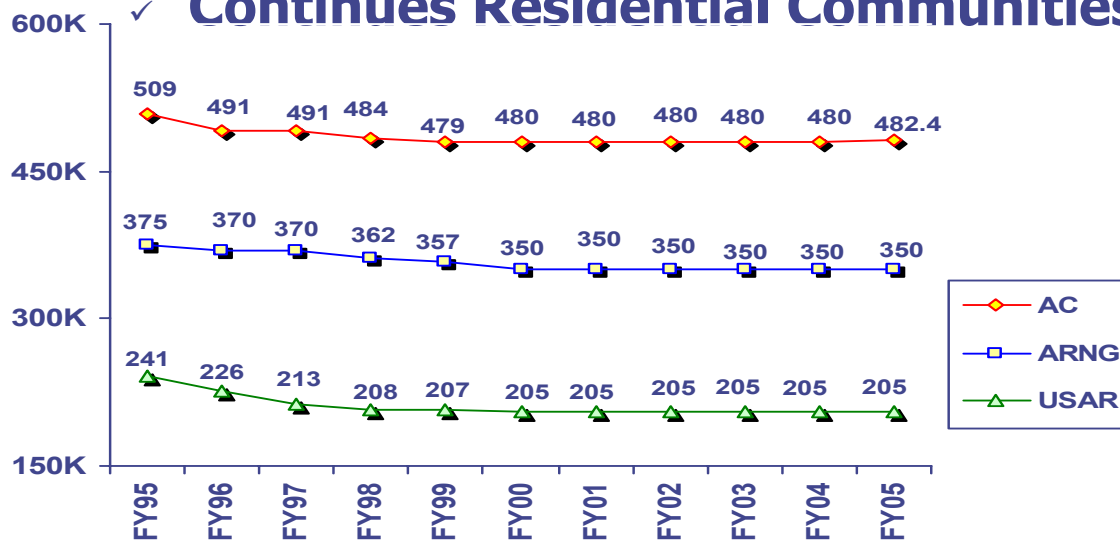
Army: 4.9% Increase, FY04 PB To FY05 PB
 DoD: 5.3% Increase w/ Intel Plus Up (4.7% w/o)

FY 05 Funding

MILITARY PERSONNEL

Man the Force

- ✓ Funds the Active Force to 482.4K End Strength
- ✓ Supports the Reserve Component (RC) at 555K End Strength
- ✓ Reflects an average pay raise of 3.5%
- ✓ Eliminates out of pocket expenses for BAH
- ✓ Continues Residential Communities Initiative

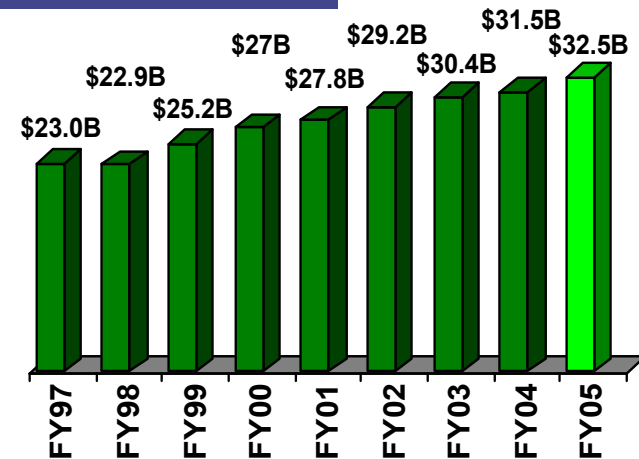


FY 05 Funding

OPERATION & MAINTENANCE

Readiness

- ✓ Supports Combined Arms Training Strategy For Air & Ground OPTEMPO
- ✓ Supports Ongoing Balkans Operations, But Relies On Supplemental For OIF/OEF
- ✓ Fully Funds Flight School XXI
- ✓ Training Enablers Increased For Battle Simulation Centers
- ✓ Supports Mil-to-Civ Conversions
- ✓ Continues AT/FP Initiatives & Critical Soldier Protection (e.g. SAPI, OTV)
- ✓ Funds DA High Risk Ramps for Military Technicians



Sustainment

- ✓ Maintains Army's Depot Maintenance Program
- ✓ Fully Funds RECAP Systems
- ✓ Meets Congressional Floor For Conventional Ammunition

Base Ops & Sustainment, Restoration & Modernization:

- ✓ Sustainment Increased To 95% Of Requirements
- ✓ Increase In Base Operations Funding To 71% Of Requirements

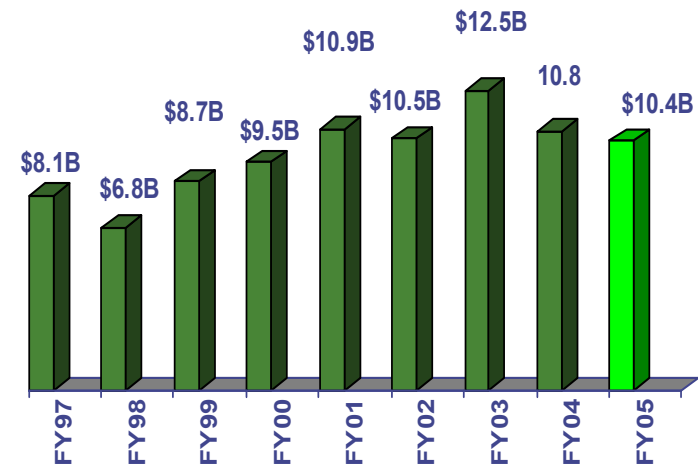


FY 05 Funding

PROCUREMENT

- ✓ **Continues Transformation Momentum**
 - 5th SBCT
 - Aviation Modernization
- ✓ **Supports Force Protection**
- ✓ **Procures Ammunition**
 - Training Ammo at C-2
 - War Reserves
- ✓ **Kills/Terminates 15 Systems**
 - \$195M FY05 Savings for FCS, Complementary Systems & Cruise Missile Defense
- ✓ **Reduces/Restructures 16 Systems**
 - \$228M FY05 Savings
- ✓ **Continues Procurement Of PAC-3**
- ✓ **Up-Armored HMMWVs**
- ✓ **Rapid Fielding Initiative**
- ✓ **FMTV**

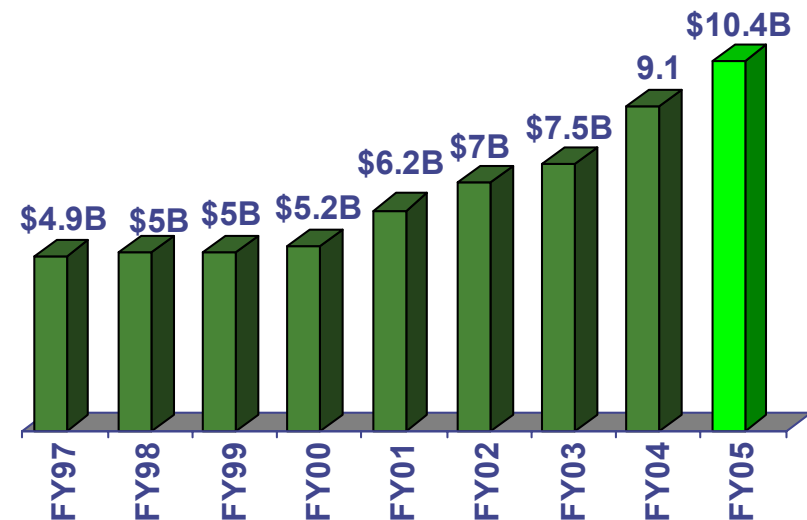
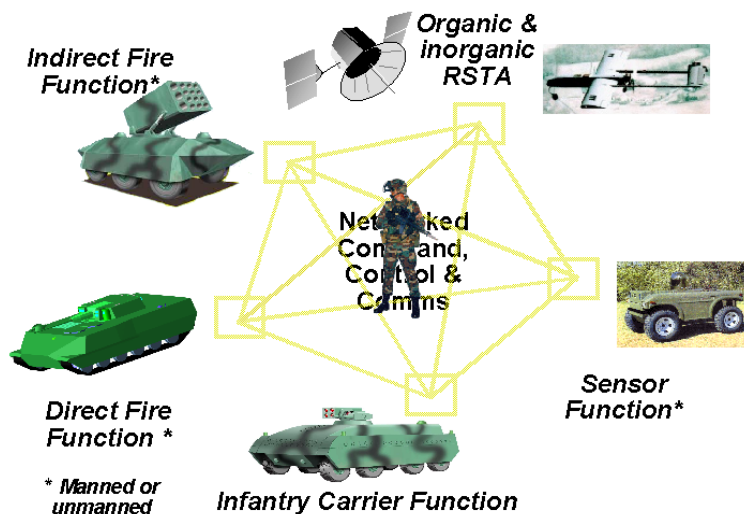
Total Obligation Authority



FY 05 Funding

RESEARCH, DEVELOPMENT, TESTING & EVALUATION

- ✓ Creates The Military Of The Future... Continues System Development & Demonstration For Future Combat Systems
- ✓ Furthers Smart Munitions Development
- ✓ Sustains S&T
- ✓ Supports Future NLOS Fires
- ✓ Funds JTRS
- ✓ Funds WIN-T development

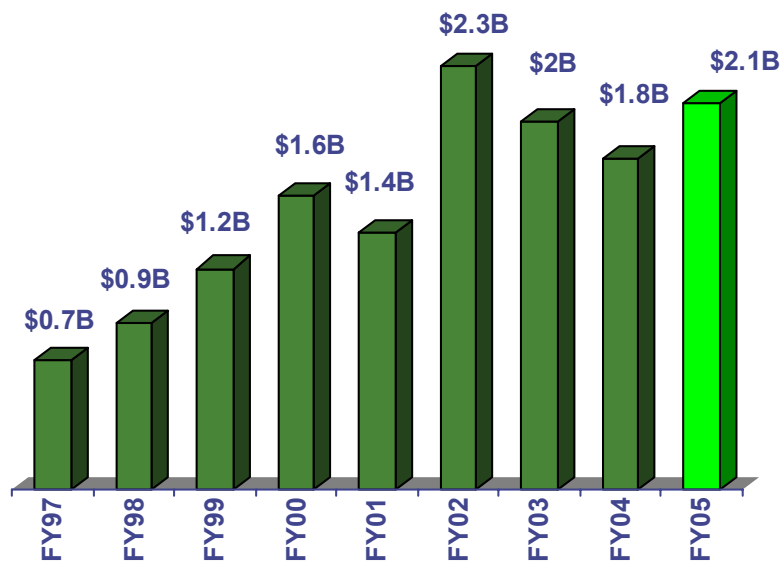


FY 05 Funding

MILITARY CONSTRUCTION

Improves Facilities Across the Army...

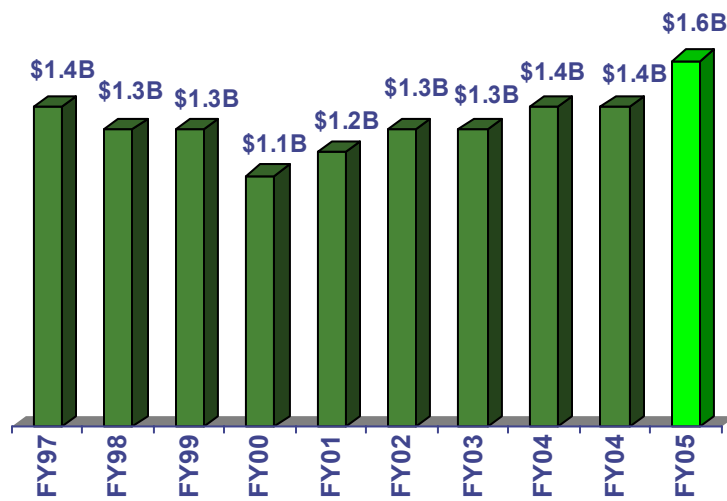
- ✓ Continues Top Priority Whole Barracks Renewal
- ✓ Increases Funding to Support Transformation
- ✓ Supports Readiness with Facilities for Training, Deployment, & Infrastructure Revitalization
- ✓ Provides Reserve Component Readiness Centers & Maintenance Shops



FY 05 Funding

FAMILY HOUSING

- ✓ FY05 Budget Upgrades 14,000 Units By Construction, Revitalization, Major Repair & Privatization
- ✓ Public Private Partnerships Build, Renovate & Sustain Housing With Rental Income From Soldier With 50-Year Contracts



FY05 Funding

FY05 CHALLENGES

- ✓ Incorporating Army Focus Areas As They Mature - Within The Base Program
- ✓ Timing & Amount Of Supplemental:
 - Both OSD(C) And OMB State **No Supplemental In Calendar Year 04**
 - Cash Flow For First Half/Three Quarters Of Year Dicey
 - Possible Solution Sets:
 - Greater Transfer Authority
 - Reprogramming
 - Moving Army Bills To Other Services
- ✓ Reset - FY04 Unfunded Requirements Roll To FY05

FY 05 Funding

OTHER CHALLENGES

Mobilization/Demobilization

- ✓ Overall action plan to improve pay for mobilized Soldiers: 52 action items broken out by time frame
 - Immediate (w/in 2 months or completed/ongoing) -Training, Procedures, Compliance
 - Near term (2 to 6 months) -Systems, Metrics, Exportable Training
 - Mid term (6 to 36 months) -Forward Compatible Pay (FCP) System
 - Long term (over 36 months) -Defense Integrated Military Human Resources System(DIMHRS)

Internal Review Role

Question?

- ◆ How can the Internal Review community help the Army meet its overwhelming challenges, its goals and objectives?



Internal Review Role

IR TRANSFORMATION

- ◆ Constant challenges and change require IR evaluators to become vigilant, proactive, and creative in seeking effective ways of adding value



Internal Review Role

IR TRANSFORMATION

- ◆ The Army is undergoing deep change and so must the IR community
 - IR strategy must change to fit the needs of commanders and the new Army environment
 - IR must be an integral member of the commander's team
 - The IR community must establish itself as an indispensable function within the overall Army framework

Internal Review Role

IR TRANSFORMATION

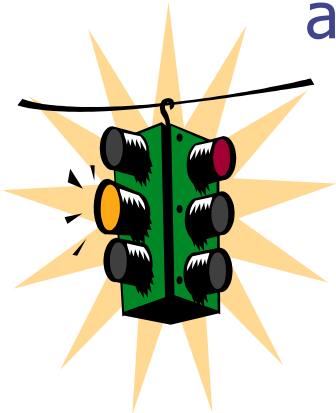
- ◆ The IR transformation started back in July 2003
 - Acting Secretary, on advice from the CSA and VCSA, denied RTF II initiative to merge all auditor assets under TAG
 - Reversed RTF I decision and moved IR back to ASA(FM&C) effective July 21, 2003
 - Called for IR to be reclassified as non-audit



Internal Review Role

IR TRANSFORMATION

- ◆ IR evaluators working closely with commanders and managers to help assess/manage risk and evaluate critical controls
 - Be a part of the commander's team
 - Advise the commander on risk that can be assumed with no (or little) affect to the mission
 - ◆ Apply resources where needed the most, such as areas of high risk to successful mission accomplishment



Internal Review Role

IR TRANSFORMATION

◆ In - New IR Services

- Risk Management

◆ Continuing

- Quick Response Reviews/Engagements
- Consulting & Advisory Services
- Liaison
- Audit Compliance & Follow-up

◆ Out – “Audit” Services

- Full Scope Audits
- Quick Response Audits



Internal Review Role

IR TRANSFORMATION



Engagements

- More focused on risk assessments & controls
- Timely & Objective
- Dependable information for decision making
- Help identify and fix problems



Internal Review Role

IR TRANSFORMATION

- ◆ Doers and Not just Checkers!
- ◆ Focusing on –
 - Command Business & Mission Risks
 - Critical Controls to mitigate risks



Internal Review Role

IR TRANSFORMATION

- ◆ IR Steering Group (IRSG)
 - A team of key Army IR leaders
 - Reviews regulations, policies, and practices of IR
 - Recommends
 - ◆ appropriate changes to policies, regulations, and practices
 - ◆ appropriate strategies on the evaluation and marketing of the Army IR function, and
 - ◆ a vision for the future of the Army IR function
- ◆ Do not loose track of the fact that the IR Community is and will always be an integral part of a bigger team – The Army

Internal Review Role

IR TRANSFORMATION

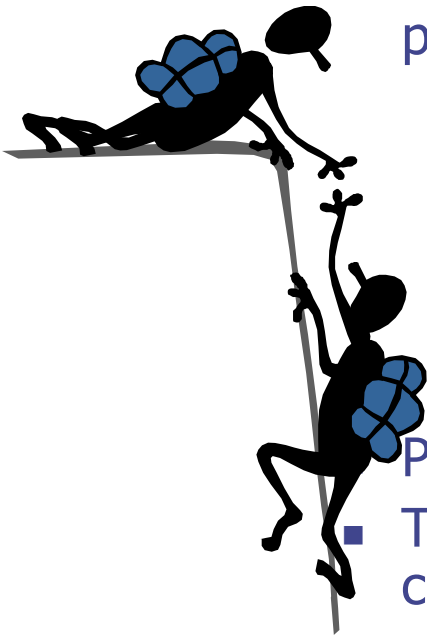
- ◆ Training and professional development
 - The IR community must prepare its people to meet these new challenges by developing and providing appropriate training
 - ◆ Risk management
 - ◆ Risk based reviews (evaluation of critical controls that mitigate risks)
 - ◆ Leadership and management
 - The community must develop leaders to replace those who will be retiring or leaving

Internal Review Role

IR TRANSFORMATION

◆ Training and professional development

- You must become more active in developing yourselves professionally by pursuing advanced degrees
 - ◆ The Army has several programs that allow you to do just that at no cost to you through its “Long-Term Training Program”
 - ◆ Take advantage of these programs
 - ◆ If you can’t attend the 14-month MBA program at Syracuse University, apply to a University of your choice
 - Many good reputable schools offer online programs
- Pursue professional certification (CGFM, CDFM, etc.)
- The Army needs you to be technically and professionally competent to help it succeed in these turbulent times
 - ◆ Help commanders
 - Make smart resource decisions
 - Find dollars elsewhere that can be put to better use where they are needed the most

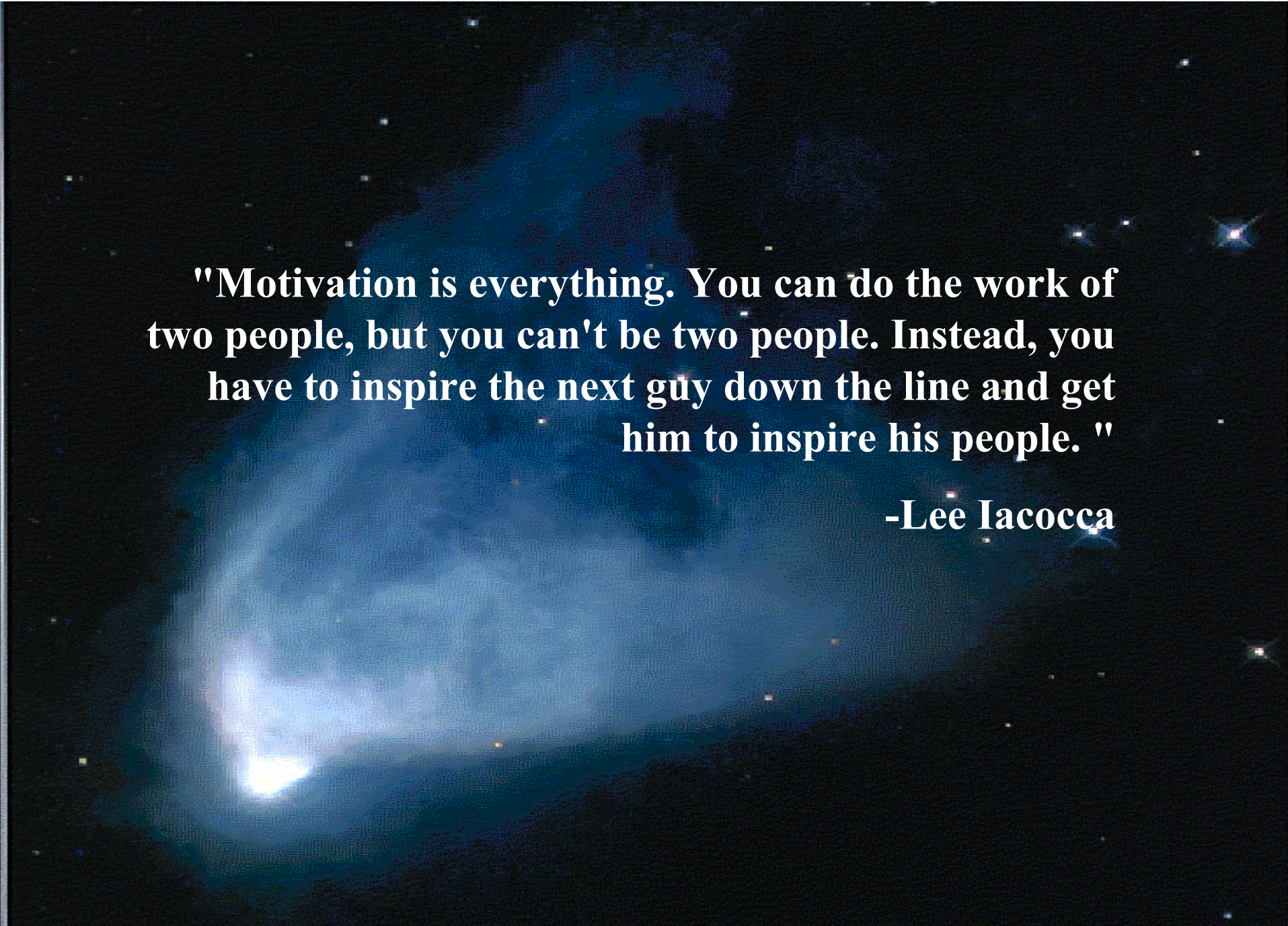


Internal Review Role

IR TRANSFORMATION

- ◆ Most of all – we must never lose track of why we're here and why we do what we do





"Motivation is everything. You can do the work of two people, but you can't be two people. Instead, you have to inspire the next guy down the line and get him to inspire his people. "

-Lee Iacocca

Questions??? Comments???

